

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 COLOMBO 001331

SIPDIS

DEPT FOR EB A/S ANTHONY WAYNE; SA/INS FOR J. BRENNIG,
N. DEAN; PLEASE PASS TO TSUNAMI RECONSTRUCTION TASK
FORCE; TREASURY FOR C. CARNES; MCC FOR D.NASSIRY

SENSITIVE

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [CE](#) [MV](#)

SUBJECT: SRI LANKAN POST-TSUNAMI RECONSTRUCTION UPDATE
(JULY 27, 2005)

1. (U) This cable provides information for the August
3, 2005 post-Tsunami IAWG meeting.

Maldives Update

2. (SBU) The Government of Maldives (GORM) still has
not submitted plans for using USG funds. The Planning
Ministry gave a July 17 deadline to the line
ministries for submitting details on projects, but the
embassy has not received any new information. Poloff
spoke with Riluwan Shareef, Executive Director of the
Ministry of Finance and Treasury, and was told that
due to the recent reshuffling of cabinet ministries,
the GORM will not meet self-imposed deadlines.

Sri Lanka Unfazed by Indian Earthquake

3. (SBU) Sri Lanka was unaffected by the June 24
earthquake that struck India's Andaman and Nicobar
Islands. Slight tremors were, however, felt in
several parts of Sri Lanka, including Colombo.

Housing Update

4. (SBU) The Government of Sri Lanka (GSL) is now
focused on constructing permanent housing, the final
phase of its shelter reconstruction program. There
are still lingering problems with transitional housing
(reftel A), but TAFREN's (Task Force for Rebuilding
the Nation) permanent housing program is now the focus
of media attention. According to TAFREN, pre-Tsunami
Sri Lanka built between 4,000 and 7,000 houses a year.
The latest figures published by the Department of
Census & Statistics put the number of fully damaged
houses at 41,393 and partially damaged houses at
36,168 (total of 77,561 housing units). However,
there are still thousands of unaccounted people living
with host families who will eventually also want
permanent housing. Construction work has already
commenced on 5,000 units and 22,794 households outside
the buffer zone have received the first rebuilding
installment of Rs. 50,000 (\$500).

Housing Ultimatum

5. (SBU) Government spokesman Nimal Siripala de Silva
informed journalists on June 25 that the GSL is giving
delinquent donors an ultimatum. If donors who
promised to build permanent houses do not begin
construction before the undetermined deadline, the
government will cancel the agreements it has signed
with them. Mr. De Silva did not name donors, but said
he would do so if and when the agreements were
cancelled. (Note: By "donors" here, it appears de
Silva means "NGOs." End Note.) In the event of
cancellation, the minister stated that the government
would reallocate the land and the treasury would give
funds directly to victims. In his July 19 address to
the American Chamber of Commerce (AMCHAM), Mano
Tittawella, chairman of the Task Force For Rebuilding
the Nation (TAFREN), estimated that 70 to 80 percent
of the tsunami pledges have been converted to
commitments. (Comment: The government has been
complaining about the unreliability of some NGOs for
the last couple weeks (Reftel A) and it appears ready
to crack down on unreliable NGOs. End Comment.)

Hyperinflation Risk in Tsunami-hit Areas

6. (SBU) The GSL is having an increasingly difficult
time acquiring an adequate supply of raw materials and
labor for the construction of houses. The increase in
demand has caused inflation in many tsunami-affected
areas, and TAFREN Chairman Mano Tittawella announced
at the July 19 AMCHAM meeting that this inflation
could become hyper-inflation if conditions do not
change.

Tsunami Orphans Find Homes

SIPDIS

17. (SBU) According to recent local press reports, all but 20 of the 1072 tsunami-orphaned children have found legal guardians. Mr. Abeygunawardene, the Commissioner of the Department of Probation and Child Care, informed journalists that the GSL has given these children scholarships to support their education and has sent 500 rupees (\$5.00) a month to their guardians in financial support.

The Recommended Buffer Zone

18. (SBU) The committee appointed by the President presented its finalized report on the 100/200 meter buffer zone to the cabinet last week. If the cabinet accepts the committee's recommendations, they will be sent to the local government agents for consultation with residents. Overall, the committee made four recommendations regarding the buffer zone:

--Instead of forcible evacuation of population resident in the 100m / 200m buffer zone, they should be offered the choice to rebuild and live in their original sites.

--In case of people who wish to leave the buffer zone, the government should facilitate relocation on alternative safer sites outside the buffer zone.

--However, no future development or expansion of existing structures should be permitted within the buffer zones, and the provisions of the Coast Conservation Act should be strictly implemented.

--To ensure safety of the communities that wish to remain on their original lands within the buffer zone, the committee recommends adopting features like berming, green belts and mangroves as envisaged in the Tsunami devastated areas of Banda-Aceh in Indonesia.

SIPDIS

19. (SBU) In a June 25 meeting with Charles Setchell of USAID/OFDA, Mr. Setchell discussed with econoff the necessary steps the USG should take to influence the GSL's buffer zone policy. Mr Setchell suggested that the USG use the Galle district in the South of Sri Lanka as the template for the reconstruction effort in the rest of the country. He proposed that the USG put together a disaster mitigation proposal that walked TAFREN and the Coastal Planning ministry through what Galle has done in the Southern coast. In addition, he argued that more local disaster mitigation programs such as evacuation plans for all types of emergencies needs to be implemented rather than solely preparing for another tsunami and depending on international warning systems. Mr. Setchell concluded that a strong USG proposal would allow the GSL to distance itself from the 100/200-meter buffer zone restrictions that are slowing the rebuilding effort.

Value Added Tax Headaches

110. (SBU) Since the expiration of the 4-month post-tsunami VAT exemption, the government has been taxing

SIPDIS

tsunami humanitarian relief items. The government's

SIPDIS

logic for applying the VAT was to prevent people from illegally selling VAT exempt goods in the open market. NGOs have already felt the impact of this policy; for example, Oxfam paid \$1 million in import duty for vehicles used in tsunami reconstruction work. In addition, NGOs such as International Medical Corp. and others have complained to econoff that the VAT is hindering relief efforts and tons of containers worth of relief goods are reportedly lying idle at the port of Colombo waiting to clear customs and for government officials to determine VAT exemption or not. Items held up include clothes, wheelchairs, crutches, sleeping bags, blankets and vehicles. Only a few items such as medicines, baby food and building materials for temporary housing have been exempted from VAT so far. Despite diplomatic pressure, the GSL has refused to budge, much to the frustration of numerous NGOs.

Debt Relief

111. (U) Econoff forwarded the newly updated bilateral agreement on debt deferral and talking points to Dr. Jayatissa, Assistant Governor of the Central Bank, Mr.

Jayamaha, Deputy Director General, External Resources and Dr. Ranee Jayamaha, Deputy Governor of the Central Bank for their review. Econoff has requested that the Sri Lanka delegation provide comments as soon as possible.

12. (SBU) Comment: Instead of hitting the ground running, the permanent housing program has been hindered by the ambiguousness of the buffer zone and other land issues. People who have lost houses are reluctant to move far from the sea as the buffer zone stipulates and most donors are unwilling to provide major funding until the GSL resolves the land title issues. Furthermore, the GSL's monthly payment of 5000 rupees (\$50.00) per tsunami-affected family arguably has encouraged people to stay in transitional camps rather than proceed with reconstruction. Until the GSL sets a coastal policy and communicates it to all the stakeholders, confusion will impede a more rapid reconstruction. With regard to the Maldives, the Ambassador discussed Tsunami rebuilding issues with the GORM, but it appears that the reshuffling of the cabinet coupled with fatigue has severely limited the ability of the government to respond to USG project requests. However, Riluwan Shareef, Executive Director of the Ministry of Finance and Treasury told Ambassador that his goal was to see an agreement signed by the end of August.

LUNSTEAD